

CSCU Board of Regents

AGENDA - SPECIAL MEETING

2:30 p.m., Monday, December 18, 2023

Conducted Remotely

Meeting will stream live at: <https://www.youtube.com/watch?v=QFp26vnx2m4>

NOTE: If any member of the public is unable to attend the meeting in real-time due to a lack of physical location or electronic equipment, they may request assistance by email to PHeleen@commnet.edu at least 24 hours before the meeting.

- 1. Call to Order, Roll Call & Declaration of Quorum**
- 2. Adoption of Agenda**
- 3. Action Item**
 - 3.a. CSCU Retirement Incentive Program**
- 4. Adjourn**

Please note: There is no invitation for public comment at Special Meetings of the Board of Regents.

RESOLUTION

concerning

RETIREMENT INCENTIVE PROGRAM

December 18, 2023

- WHEREAS, pursuant to Connecticut General Statutes § 10a-20, the Connecticut Board of Regents for Higher Education has “sole jurisdiction” over the compensation of the professional staffs of the Connecticut State Colleges and Universities within available funds, subject only to its collective bargaining obligations; and
- WHEREAS, there is an ongoing need for the Connecticut State Colleges and Universities System to respond to budgetary pressures by reducing personnel costs; and
- WHEREAS, pursuant to Board Resolution 23-053, the Board of Regents directed the Chancellor to lead efforts to analyze and plan responses to such budgetary pressures; and
- WHEREAS, comprehensive financial modeling indicates that the Connecticut State Colleges and Universities System could achieve significant financial savings in future fiscal years through a retirement incentive program implemented during the 2023-2024 fiscal year; and
- WHEREAS, employees who choose to participate in the retirement incentive program would benefit by receiving compensation that would not otherwise be available; and
- WHEREAS, the retirement incentive plan would not change the state employees retirement system; now, therefore, be it
- RESOLVED, that the Board of Regents hereby approves the proposed retirement incentive program described in the attachment to this Resolution; and be it further
- RESOLVED, that the Board of Regents charges the Chancellor and his designees to implement the retirement incentive program using available funds; and be it further
- RESOLVED, that the Board of Regents charges the Chancellor and his designees to offer the retirement incentive program to eligible professional management/confidential employees of the Connecticut State Colleges and Universities; and be it further
- RESOLVED, that the Board of Regents charges the Chancellor and his designees to extend the retirement incentive program to eligible unionized unclassified professional employees of the Connecticut State Colleges and Universities whose unions agree to participate; and be it further

RESOLVED, that the Board of Regents authorizes the Chancellor to make technical adjustments to the retirement incentive program as may be necessary and appropriate to effectuate its successful implementation; and be it further

RESOLVED, that the Board of Regents directs the Chancellor and his designees to report to the Board of Regents on the participation rate and projected savings associated with the retirement incentive program upon program completion and availability of such information.

CONNECTICUT STATE COLLEGES AND UNIVERSITIES SYSTEM
SUMMARY OF 2024 RETIREMENT INCENTIVE PROGRAM

Eligibility (must satisfy all): 1) Age 60+ (as of May 31, 2024)

2) 10+ years of state service (as of May 31, 2024)

“Service” as defined by retirement plans

3) Currently eligible for normal retirement under employees’ respective retirement plans

4) Either management/confidential full-time employee or member of unclassified bargaining unit (subject to unions’ agreement)

Only open to full-time employees who are employed as of February 1, 2024, and who retire on or before June 1, 2024

Elements:

Payment: two options at each employee’s choice: (1) \$30k or (2) 1% salary X years of state service (as defined by retirement plans)

(less applicable deductions and withholdings)

Financial Planning: provide access to retirement/financial advisors through Empower

Rehire: retirees may be asked to serve as rehired retirees, subject to existing State guidelines

Timeline:

Enrollment Period Opens: February 1, 2024

Enrollment Deadline: April 1, 2024

Retirement Date: June 1, 2024 (i.e., last day worked is on or before May 31, 2024)

Incentive Payment Issued (anticipated): January 2025



STAFF REPORT

BOARD OF REGENTS

ITEM

A CSCU retirement incentive program for all eligible CSCU personnel (“Program”) in response to budgetary pressures and in support of deficit mitigation efforts taking place across the system.

CURRENT AUTHORITY

Section 10a-20 of the Connecticut General Statutes gives the Board of Regents “sole jurisdiction” over the compensation of the professional staffs of the Connecticut State Colleges and Universities within available funds, subject only to its collective bargaining obligations. Similarly, Section 10a-89 authorizes the Board to “fix the compensation of [its] personnel” “[w]ithin the limitation of appropriations.” The incentive payment included in the proposed Retirement Incentive Program is one such type of compensation.

For historical context, the Board’s authority has previously been exercised to implement a retirement incentive program. In 1996, the Board of Trustees for the Connecticut State University System adopted Board Resolution #96-13, which implemented a retirement incentive program for the CSUs’ teaching faculty, non-teaching administrators, and management/confidential professional employees. Participating employees needed to be eligible to retire under their respective retirement plans. A subsequent research report by the Office of Legislative Research (2001-R-0884) recognized that Sections 10a-20 and 10a-89 of the General Statutes gave the Board authority to implement this type of retirement incentive program.

SUMMARY OF PROGRAM STRUCTURE

The structure of the Program has been developed with collaboration and input from CSCU institution leadership, the Connecticut State Office of Policy and Management, the Office of Labor Relations, and the Retirement Division of the Office of the State Comptroller.

Eligibility

Similar to the incentive offered in 1996, the Program will be offered to full-time, unclassified faculty, non-teaching professionals, and management/confidential employees within CSCU. For unionized employees within these groups, eligibility is dependent on each union agreeing to participate in the Program.

In contrast to the 1996 retirement incentive, where eligibility was determined using the Rule of 80 — i.e., employees needed to have a combined age and years of service equal to or greater than 80, CSCU hopes to achieve significant savings by using more inclusive eligibility criteria. The Program focuses on full-time employees who (1) are employed as of February 1, 2024 (2) are eligible to retire under their respective retirement plans, (3) are at least 60 years old, and (4) have at least ten years of state service. There are approximately 550 employees who currently meet these eligibility criteria.

Schedule

The Program's enrollment period will begin on February 1, 2024, and will remain open until April 1, 2024. Once enrolled, the retirement date for those participating is June 1, 2024, which implies that the last day of work for those participants will be on or before May 31, 2024. Once retired, participants can anticipate receiving their incentive payment in or around January 2025.

Incentive Details

The Program offers two incentive options for employees, with the expectation that most will select the option most financially beneficial for them. The first option is a flat amount of \$30,000. The second option is an incentive amount equal to 1% of the employee's salary multiplied by the number of years of state service, as defined by their respective retirement plan. It is important to note that both options are subject to applicable deductions and withholdings.

In addition to the incentive payment, eligible employees will have access to retirement and financial advisors through Empower, providing them with professional guidance and support in planning their financial future post-retirement.

Source of Funding

Incentive Payment. The incentive payments for the Program will be funded by the System Office, ensuring that the individual institutions will not be responsible for bearing this extra expense. As part of the FY24 Spending Plan, approved by the BOR on June 28, 2023, \$13.5 million was set aside for "Operations Support" to assist with necessary systemwide deficit mitigation efforts. The use of these funds for the Program is projected to yield substantial financial benefits, not only enhancing the fiscal stability of the CSCU institutions but also strengthening the financial foundation of the System.

Accrued Leave Payment. As part of the typical retirement process, employees are provided a lump sum payment for certain accrued and unused paid time off as of the date of their retirement. This expense is borne by the respective CSCU institutions.

FINANCIAL IMPACT

The total financial impact of the Program is subject to a variety of factors. The tables below provide detailed estimates, illustrating how the Program's financial performance is significantly influenced by two primary factors: the rates of acceptance and backfill. These tables present

various scenarios, showing different potential rates of acceptance (the percentage of eligible employees who choose to participate in the Program) and subsequent backfill (the proportion of vacated positions that are subsequently filled). It is important to note that the “Annual Savings” are expected to have long-term fiscal impact by recurring each year beginning in FY25.

Estimated Total System Impact

CSCU Total - RI Analysis				
<i>Millions (\$)</i>	100% acceptance	75% acceptance	50% acceptance	25% acceptance
Personnel age 60 and older + 10 years of state service (# of positions)	552	414	276	138
FY25 costs of these employees (salary and fringe)	\$91.8	\$68.8	\$45.9	\$22.9
One-time cost on institutions (ACL payments)	\$13.8	\$10.4	\$6.9	\$3.5
One-time cost on system (Incentive payments)	\$19.7	\$14.8	\$9.9	\$4.9
Annual savings with no backfill	\$91.8	\$68.8	\$45.9	\$22.9
Annual savings with 25% backfill	\$68.8	\$51.6	\$34.4	\$17.2
Annual savings with 50% backfill	\$45.9	\$34.4	\$22.9	\$11.5
Annual savings with 75% backfill	\$22.9	\$17.2	\$11.5	\$5.7

Estimated Impact by Institution and System Office

Central Connecticut State University				
<i>Millions (\$)</i>	100% acceptance	75% acceptance	50% acceptance	25% acceptance
Personnel age 60 and older + 10 years of state service (# of positions)	108	81	54	27
FY25 costs of these employees (salary and fringe)	\$18.6	\$13.9	\$9.3	\$4.6
One-time cost on institutions (ACL payments)	\$1.7	\$1.2	\$0.8	\$0.4
One-time cost on system (Incentive payments)	\$3.9	\$2.9	\$2.0	\$1.0
Annual savings with no backfill	\$18.6	\$13.9	\$9.3	\$4.6
Annual savings with 25% backfill	\$13.9	\$10.5	\$7.0	\$3.5
Annual savings with 50% backfill	\$9.3	\$7.0	\$4.6	\$2.3
Annual savings with 75% backfill	\$4.6	\$3.5	\$2.3	\$1.2

Eastern Connecticut State University				
<i>Millions (\$)</i>	100% acceptance	75% acceptance	50% acceptance	25% acceptance
Personnel age 60 and older + 10 years of state service (# of positions)	51	39	26	13
FY25 costs of these employees (salary and fringe)	\$9.0	\$6.9	\$4.6	\$2.3
One-time cost on institutions (ACL payments)	\$1.6	\$1.3	\$0.8	\$0.4
One-time cost on system (Incentive payments)	\$1.8	\$1.4	\$0.9	\$0.5
Annual savings with no backfill	\$9.0	\$6.9	\$4.6	\$2.3
Annual savings with 25% backfill	\$6.8	\$5.2	\$3.4	\$1.7
Annual savings with 50% backfill	\$4.5	\$3.4	\$2.3	\$1.1
Annual savings with 75% backfill	\$2.3	\$1.7	\$1.1	\$0.6

Southern Connecticut State University				
<i>Millions (\$)</i>	100% acceptance	75% acceptance	50% acceptance	25% acceptance
Personnel age 60 and older + 10 years of state service (# of positions)	107	81	54	27
FY25 costs of these employees (salary and fringe)	\$18.5	\$14.0	\$9.4	\$4.7
One-time cost on institutions (ACL payments)	\$2.8	\$2.1	\$1.4	\$0.7
One-time cost on system (Incentive payments)	\$4.0	\$3.0	\$2.0	\$1.0
Annual savings with no backfill	\$18.5	\$14.0	\$9.4	\$4.7
Annual savings with 25% backfill	\$13.9	\$10.5	\$7.0	\$3.5
Annual savings with 50% backfill	\$9.3	\$7.0	\$4.7	\$2.3
Annual savings with 75% backfill	\$4.6	\$3.5	\$2.3	\$1.2

Western Connecticut State University				
<i>Millions (\$)</i>	100% acceptance	75% acceptance	50% acceptance	25% acceptance
Personnel age 60 and older + 10 years of state service (# of positions)	75	57	38	19
FY25 costs of these employees (salary and fringe)	\$13.4	\$10.2	\$6.8	\$3.4
One-time cost on institutions (ACL payments)	\$3.1	\$2.4	\$1.6	\$0.8
One-time cost on system (Incentive payments)	\$2.8	\$2.1	\$1.4	\$0.7
Annual savings with no backfill	\$13.4	\$10.2	\$6.8	\$3.4
Annual savings with 25% backfill	\$10.1	\$7.7	\$5.1	\$2.6
Annual savings with 50% backfill	\$6.7	\$5.1	\$3.4	\$1.7
Annual savings with 75% backfill	\$3.4	\$2.6	\$1.7	\$0.9

CT State Community College				
<i>Millions (\$)</i>	100% acceptance	75% acceptance	50% acceptance	25% acceptance
Personnel age 60 and older + 10 years of state service (# of positions)	191	144	96	48
FY25 costs of these employees (salary and fringe)	\$28.8	\$21.7	\$14.5	\$7.2
One-time cost on institutions (ACL payments)	\$3.9	\$3.0	\$2.0	\$1.0
One-time cost on system (Incentive payments)	\$6.5	\$4.9	\$3.3	\$1.6
Annual savings with no backfill	\$28.8	\$21.7	\$14.5	\$7.2
Annual savings with 25% backfill	\$21.6	\$16.3	\$10.9	\$5.4
Annual savings with 50% backfill	\$14.4	\$10.9	\$7.2	\$3.6
Annual savings with 75% backfill	\$7.2	\$5.4	\$3.6	\$1.8

Charter Oak State College				
<i>Millions (\$)</i>	100% acceptance	75% acceptance	50% acceptance	25% acceptance
Personnel age 60 and older + 10 years of state service (# of positions)	7	6	4	2
FY25 costs of these employees (salary and fringe)	\$1.2	\$1.0	\$0.7	\$0.3
One-time cost on institutions (ACL payments)	\$0.2	\$0.1	\$0.1	\$0.0
One-time cost on system (Incentive payments)	\$0.3	\$0.2	\$0.1	\$0.1
Annual savings with no backfill	\$1.2	\$1.0	\$0.7	\$0.3
Annual savings with 25% backfill	\$0.9	\$0.8	\$0.5	\$0.3
Annual savings with 50% backfill	\$0.6	\$0.5	\$0.3	\$0.2
Annual savings with 75% backfill	\$0.3	\$0.3	\$0.2	\$0.1

System Office/Shared Services				
<i>Millions (\$)</i>	100% acceptance	75% acceptance	50% acceptance	25% acceptance
Personnel age 60 and older + 10 years of state service (# of positions)	13	10	7	4
FY25 costs of these employees (salary and fringe)	\$2.2	\$1.7	\$1.2	\$0.7
One-time cost on institutions (ACL payments)	\$0.5	\$0.4	\$0.3	\$0.2
One-time cost on system (Incentive payments)	\$0.4	\$0.3	\$0.2	\$0.1
Annual savings with no backfill	\$2.2	\$1.7	\$1.2	\$0.7
Annual savings with 25% backfill	\$1.7	\$1.3	\$0.9	\$0.5
Annual savings with 50% backfill	\$1.1	\$0.9	\$0.6	\$0.3
Annual savings with 75% backfill	\$0.6	\$0.4	\$0.3	\$0.2

System Office will collaborate closely with the individual institutions regarding the backfilling of positions that become vacant as a result of the Program. Such decisions will be unique to each CSCU institution and dependent on their respective priorities and fiscal health. The focus will be on achieving financial savings while ensuring that positions necessary for the institutions' success are refilled.

REPORT ON PROGRAM PERFORMANCE

The Chancellor will report to the Board of Regents on the participation rate and projected savings associated with the retirement incentive program upon program completion and availability of such information.

RECOMMENDATION

It is recommended that the Board of Regents approve the CSCU Retirement Incentive Program, as detailed in this report. Approval of the Program will not only assist in addressing immediate fiscal challenges but will also contribute to the long-term financial health and operational efficiency of CSCU institutions and the System